

UMZIMKHULU MUNICIPALITY

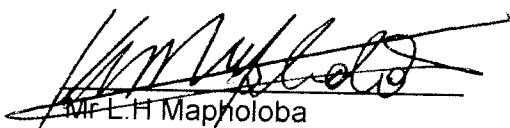


ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

UMZIMKHULU MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2008

I am responsible for the preparation of these annual financial statements which are set out on pages 2 to 27, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 20 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.


Mr L.H. Mapholoba
Municipal Manager

29 August 2008
Date

Umzimkhulu Municipality

Financial Statements for the year ended 30 June 2008

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Umzimkhulu Municipality

Financial Statements for the year ended 30 June 2008

Statement of Financial Position

	Note(s)	2008 R	2007 R
Assets			
Current Assets			
Trade and other receivables	5	792 249	2 450 754
VAT	6	3 387 889	4 309 411
Consumer debtors	7	1 336 440	1 893 390
Investments	4	46 935 823	36 419 495
Cash and cash equivalents	8	7 000	995 961
		52 459 401	46 069 011
Non-Current Assets			
Property, plant and equipment	2	45 082 172	24 744 967
Assets in construction	3	13 554 411	-
		58 636 583	24 744 967
Total Assets		111 095 984	70 813 978
Liabilities			
Current Liabilities			
Finance lease obligation	10	70 710	67 725
Trade and other payables	12	24 487 918	21 753 011
Deferred income / Unspent conditional grants and receipts	11	25 130 280	16 368 921
Bank overdraft	8	282 193	-
		49 971 101	38 189 657
Non-Current Liabilities			
Finance lease obligation	10	126 951	127 348
Deferred income / Unspent conditional grants and receipts	11	32 398 502	7 711 976
		32 525 453	7 839 324
Total Liabilities		82 496 554	46 028 981
Net Assets		28 599 430	24 784 997
Net Assets			
Reserves			
Government grant reserve	9	13 109 800	13 998 838
Accumulated surplus		15 489 630	10 786 159
Total Net Assets		28 599 430	24 784 997

Umzimkhulu Municipality

Financial Statements for the year ended 30 June 2008

Statement of Financial Performance

	Note(s)	2008 R	2007 R
Revenue			
Property rates	14	1 355 423	1 229 716
Service charges	15	1 362 578	962 658
Rental Income		287 246	305 786
Interest received		1 601 128	244 306
Licences and permits		1 612 829	1 243 548
Government grants	16	35 586 097	39 804 008
Motor vehicle licences		99 539	25 943
Miscellaneous other revenue		763 947	454 318
Recoveries		139 168	-
Other income		689 288	-
Total Revenue		43 497 243	44 270 283
Expenditure			
Personnel	19	(14 749 493)	(10 956 888)
Remuneration of councillors	20	(5 782 678)	(7 036 253)
Depreciation and amortisation	22	(2 363 974)	(1 677 676)
Finance costs	23	(95 442)	-
Bad debts	21	-	(41 200)
Repairs and maintenance		(1 822 871)	(1 043 767)
General Expenses	17	(24 129 275)	(15 691 843)
Total Expenditure		(48 943 733)	(36 447 627)
Surplus or deficit on sale of assets and liabilities		(75 049)	-
(Deficit) surplus for the year		(5 521 539)	7 822 656
Attributable to:			
Net Asset holders of the controlling entity		(5 521 539)	7 822 656

Umzimkhulu Municipality

Financial Statements for the year ended 30 June 2008

Statement of Changes in Net Assets

	Capitalisation reserve R	Government grant reserve R	Accumulated surplus R	Total net assets R
Balance at 01 July 2006	-	14 887 877	9 786 441	24 674 318
Changes in net assets				
Net surplus/deficit for the year	-	-	7 822 656	7 822 656
Depreciation deferred income	-	-	81 966	81 966
Grants used to purchase PPE	-	-	(7 793 943)	(7 793 943)
Off-setting depreciation	-	(889 039)	889 039	-
Total changes	-	(889 039)	999 718	110 679
Balance at 01 July 2007	-	13 998 838	10 786 159	24 784 997
Changes in net assets				
Net deficit for the year	-	-	(5 521 538)	(5 521 538)
Adjustments	-	-	9 335 971	9 335 971
Offsetting depreciation	-	(889 038)	889 038	-
Total changes	-	(889 038)	4 703 471	3 814 433
Balance at 30 June 2008	-	13 109 800	15 489 630	28 599 430

Note(s)

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Umzimkhulu Municipality

Financial Statements for the year ended 30 June 2008

Cash Flow Statement

	Note(s)	2008 R	2007 R
Cash flows from operating activities			
Cash receipts from customers		44 730 939	84 327 363
Cash paid to suppliers and employees		(24 460 890)	(49 118 650)
Cash generated from operations	24	20 270 049	35 208 713
Interest income		1 601 128	1 012 133
Finance costs		(95 442)	-
Net cash from operating activities		21 775 735	36 220 846
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(9 945 544)	(10 614 745)
Sale of property, plant and equipment	2	2 877 729	-
Purchase of assets in construction		(13 554 411)	-
PPE Adjustments - Prior year		(15 708 411)	-
Movement in investments		(10 516 328)	(32 693 160)
Lease vehicle		-	326 099
Movement in government grant reserve		(889 038)	(889 039)
Deferred income		24 686 526	7 711 975
Net cash from investing activities		(23 049 477)	(36 158 870)
Cash flows from financing activities			
Movement in other liability 1		-	(67 725)
Finance lease payments		2 588	-
Net cash from financing activities		2 588	(67 725)
Total cash movement for the year		(1 271 154)	(5 749)
Cash at the beginning of the year		995 961	1 001 710
Net increase (decrease) in cash and cash equivalents	8	(275 193)	995 961

Umzimkhulu Municipality

Financial Statements for the year ended 30 June 2008

Accounting Policies

1. Presentation of Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

The standards are summarised as follows:

Standard of GRAP

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated financial statements and accounting for controlled entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

These accounting policies are consistent with the previous period.

1.1 Property, plant and equipment

Property, plant and equipment, is stated at cost, less accumulated depreciation, except land and buildings, which are revalued as indicated below. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognized as an expense in the period that the impairment is identified.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalized when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

Item	Average useful life
Infrastructure	
• Roads and paving	30 years
• Pedestrian Malls	30 years
• Electricity	0-30 years
• Water	15-20 years
• Sewerage	15-20 years
Community	
• Buildings	30 years
• Recreational facilities	20-30 years
• Security	5 years
Other property, plant and equipment	
• Buildings	30 years
• Specialist vehicles	10 years

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Financial Statements for the year ended 30 June 2008

Accounting Policies

1.1 Property, plant and equipment (continued)

• Other vehicles	5 years
• Office equipment	3-7 years
• Furniture and fittings	7-10 years
• Watercraft	15 years
• Bins and containers	5 years
• Specialised plant and equipment	10-15 years
• Other items of plant and equipment	2-5 years
• Landfill sites	15 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

1.2 Financial instruments

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in the statement of financial performance within operating expenses. When a trade receivable is uncollected, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the statement of financial performance.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Other financial liabilities are measured initially at fair value and subsequently at amortised cost, using the effective interest rate method.

Financial assets at fair value through profit or loss

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Investments are measured initially and subsequently at fair value, gains and losses arising from changes in fair value are included in surplus or deficit for the period.

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Financial Statements for the year ended 30 June 2008

Accounting Policies

1.2 Financial instruments (continued)

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit.

Available for sale financial assets

These financial assets are non-derivatives that are either designated in this category or not classified elsewhere.

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

These investments are measured initially and subsequently at fair value. Gains and losses arising from changes in fair value are recognised directly in net assets until the security is disposed of or is determined to be impaired.

The municipality assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit – is removed from net assets and recognised in the statement of financial performance. Impairment losses recognised in the statement of financial performance on equity instruments are not reversed through the statement of financial performance.

Impairment losses recognised in surplus or deficit for equity investments classified as available-for-sale are not subsequently reversed through surplus or deficit. Impairment losses recognised in surplus or deficit for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in surplus or deficit, while translation differences on non-monetary securities are recognised in net assets. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in net assets.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of financial performance as part of 'other income'. Dividends on available-for-sale equity instruments are recognised in the statement of financial performance as part of 'other income' when the municipality's right to receive payments is established.

Equity investments for which a fair value is not determinable are held at cost. Impairments on such investments are not reversed.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable

Umzimkhulu Municipality

Financial Statements for the year ended 30 June 2008

Accounting Policies

1.2 Financial instruments (continued)

amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

1.3 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessor

The municipality recognises finance lease receivables on the statement of financial position.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

1.4 Impairment of assets

The municipality assesses at each statement of financial position date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

Umzimkhulu Municipality

Financial Statements for the year ended 30 June 2008

Accounting Policies

1.4 Impairment of assets (continued)

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.5 Share capital / contributions

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.6 Employee benefits

Retirement benefits

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to government retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.7 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Umzimkhulu Municipality

Financial Statements for the year ended 30 June 2008

Accounting Policies

1.7 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

1.8 Government grants

Government grants are recognised when there is reasonable assurance that:

- the municipality will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income are presented as a credit in the income statement (separately).

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

1.9 Revenue and conditional grants and receipts

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the statement of financial position date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the statement of financial position date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value

Umzimkhulu Municipality

Financial Statements for the year ended 30 June 2008

Accounting Policies

1.9 Revenue and conditional grants and receipts (continued)

added tax.

Service charges relating to refuse removal are recognized on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property, and are levied monthly.

Revenue from non-exchange transactions

Revenue from rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Interest on unpaid rates is recognized on a time proportion basis.

Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognized when the recovery thereof from the responsible councilors or officials is virtually certain.

Interest and rental income is recognized on a time proportion basis.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.10 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.11 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.12 Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Unauthorized Expenditure

Unauthorized expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act no.56 of 2003). Unauthorized expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular Expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No.20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorized expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Fruitless and Wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance

1.13 Use of Estimates

The preparation of financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.14 Presentation of Currency

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Financial Statements for the year ended 30 June 2008

Accounting Policies

1.14 Presentation of Currency (continued)

These financial statements are presented in South African Rand.

1.15 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP, GRAP or GAAP.

1.16 Reserves

Capitalisation reserve

On the implementation of GAMAP/GRAP, the balance of certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment, were transferred to a Capitalisation Reserve rather than the accumulated surplus/deficit, as in prior years, in terms of a directive (Circular No. 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation charge that will be incurred over the useful lives of these items of property, plant and equipment is offset by transfers from this reserve to the accumulated surplus/deficit.

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/deficit.

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/deficit.

Government grant reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/deficit to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

Donations and public contributions reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/deficit to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/deficit.

1.17 Investments

Financial instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short term deposits invested in registered banks, are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognized as an

Umzimkhulu Municipality

Financial Statements for the year ended 30 June 2008

Accounting Policies

1.17 Investments (continued)

expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance. .

1.18 Conditional Grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.19 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

1.20 Going concern assumption

These annual financial statements have been prepared on a going concern basis.

1.21 Contributions

Contributions reflected in the statement of financial performance consist of contributions to the leave reserve fund, working capital reserve (provision for bad debts).

Leave provision is calculated on the number of compoundable leave days outstanding as at the Statement of financial position date, using the daily employment cost rate.

Umzimkhulu Municipality

Financial Statements for the year ended 30 June 2008

Notes to the Financial Statements

	2008 R			2007 R		
2. Property, plant and equipment						
	2008			2007		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land and buildings	20 269 025	(2 461 849)	17 807 176	3 272 925	(837 962)	2 434 963
Infrastructure	22 578 806	(3 179 089)	19 399 717	20 216 405	(2 756 907)	17 459 498
Community	3 406 033	(463 125)	2 942 908	2 042 301	(392 925)	1 649 376
Other property, plant and equipment	9 925 084	(4 992 713)	4 932 371	7 544 527	(4 343 397)	3 201 130
Total	56 178 948	(11 096 776)	45 082 172	33 076 158	(8 331 191)	24 744 967

Reconciliation of property, plant and equipment - 2008

	Opening Balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Land and buildings	2 434 963	-	-	15 675 978	(303 765)	17 807 176
Infrastructure	17 459 498	5 850 813	(2 877 729)	32 435	(1 065 300)	19 399 717
Community	1 649 376	1 363 733	-	-	(70 201)	2 942 908
Other fixed assets	3 201 130	2 730 998	(75 049)	-	(924 708)	4 932 371
Total	24 744 967	9 945 544	(2 952 778)	15 708 413	(2 363 974)	45 082 172

Investment property is included as part of Property, plant and equipment.

Erven 231 and 232 (Hotel and House)

Commencement: 1 December 1995

Duration : 12 Years

Termination date: 30 November 2007

Payments : Monthly in advance.

Erven 229 , 735 and 736

(Land - Shopping Complex)

Commencement: 19th June 1996

Duration : 50 Years

Termination date: 18th June 2030

Payments : Year one 8 % of net rentals

: Year two 9% of net rentals

: Remainder 10% of net rentals

Which together with the 2% payable to the Trust will not be less than R14,800.00 per year.

Erf 152 (Land - Shopping complex)

Commencement: 1 January 2002

Duration 99 Years

Termination date: 31 December 2101

Payments: R2400 pm in advance

3. Assets in construction

This consists of

Umzimkhulu Sports Field	321 998	-
Nhlambamsoka	113 432	-
Umzimkhulu Main Street	1 008 364	-
Skoon plaas access road	1 951 305	-
Mtshazo access road	861 714	-
Esihlontlweni Access road	3 160 391	-
1Vierkant access Road	1 330 802	-

Umzimkhulu Municipality

Financial Statements for the year ended 30 June 2008

Notes to the Financial Statements

	2008 R	2007 R
3. Assets in construction (continued)		
Marhewini sports field	958 798	-
Esikhewini River crossing	35 620	-
Ntisikeni sports field	681 266	-
Goso Access Road	2 349 349	-
Urban Regeneration Flats	781 372	-
Total	13 554 411	-
4. Investments		
Investments consist of the following:		
FNB S/Call 32 Day	3 739 521	712 522
FNB Clyesdale	10 798 303	9 868 345
FNB Council Chambers	28 444	5 086 021
FNB Ext 5&6	1 404 970	1 288 556
FNB Ibisi	1 214 859	1 128 755
MSIG	213 141	413 307
MAP	4 228 033	2 330 235
MIG	2 578 386	2 197 592
Project Consolidate	1 225 990	1 125 381
Reitvl/Cly	625 722	578 722
Riverside Phase 1	903 638	835 272
Riverside Phase 2	3 750 243	3 444 288
Rural /Disaster	5 207 432	4 773 141
Sports Facility	448 950	2 337 224
Urban Renewal special project	9 156 057	-
Urban Renewal flats	1 412 134	-
CMIP	-	300 134
Total	46 935 823	36 419 495

Umzimkhulu Municipality

Financial Statements for the year ended 30 June 2008

Notes to the Financial Statements

	2008 R	2007 R
5. Trade and other receivables		
Other receivables	4 454 172	4 163 433
Donations	19 800	-
Provision for bad debts	(3 909 073)	(1 716 513)
Lease debtor	3 834	3 834
Other	66 358	-
Advance salaries	157 158	-
	792 249	2 450 754
6. Other receivables - VAT		
VAT	3 387 889	4 309 411
7. Consumer debtors		
Gross balances		
Rates and refuse	11 935 813	9 705 469
Less: Provision for bad debts		
Rates and refuse	(10 599 373)	(7 812 079)
Net balance		
Rates and refuse	1 336 440	1 893 390
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	-	196 796
31 - 60 days	-	195 328
61 - 90 days	-	346 801
91 - 120 days	-	612 114
121 - 365 days	-	8 354 430
Total	11 935 813	-
	11 935 813	9 705 469
Less: Provision for bad debts	(10 599 373)	(7 812 079)
	1 336 440	1 893 390
Due to the adjustment passed for posting error identified, we are unable to provide this summary in the current year		
8. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	7 000	-
Bank balances	-	995 961
Bank overdraft	(282 193)	-
	(275 193)	995 961
Current assets	7 000	995 961
Current liabilities	(282 193)	-
	(275 193)	995 961
9. Government grant reserve		

Umzimkhulu Municipality

Financial Statements for the year ended 30 June 2008

Notes to the Financial Statements

	2008 R	2007 R
9. Government grant reserve (continued)		
Balance at beginning of year	13 998 838	14 887 877
Off-setting depreciation	(889 038)	(889 039)
	13 109 800	13 998 838
10. Finance lease obligation		
Minimum lease payments due		
- within one year	70 710	67 725
- in second to fifth year inclusive	126 951	127 348
Present value of minimum lease payments	197 661	195 073
Present value of minimum lease payments due		
- within one year	70 710	67 725
- in second to fifth year inclusive	126 951	127 348
	197 661	195 073
Non-current liabilities	126 951	127 348
Current liabilities	70 710	67 725
	197 661	195 073

It is municipality policy to lease certain motor vehicles under finance leases.

The average lease term was 5 years at variable rates. The effective interest rate for the current year is 14.38%.

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note .

11. Deferred income / Unspent conditional grants and receipts

Deferred income comprises:

Unspent conditional grants and receipts

FMG Fund	210 738	279 147
Integrated Development Plan Fund	96 561	146 529
Survey Fund	721 287	727 088
Sports Facility Grant Fund	633 824	2 243 355
MIG Fund	5 849 790	2 267 777
MSIG Fund	395 924	415 015
DTLGA Council Chamber Grant	468 188	4 716 281
MAP Grant	3 676 888	2 548 349
Project Consolidate	1 225 990	1 125 380
Technical Support Grant	201 945	500 000
Urban Renewal Special Projects	9 087 160	-
Urban Renewal Flats	1 271 823	-
Drought Relief	1 288 301	1 400 000
Seta Grant	1 861	-
	25 130 280	16 368 921
Deferred Income	33 087 790	7 793 942
Depreciation	689 288	81 966
	57 528 782	24 080 897

Movement during the year

Umzimkhulu Municipality

Financial Statements for the year ended 30 June 2008

Notes to the Financial Statements

	2008 R	2007 R
11. Deferred income / Unspent conditional grants and receipts (continued)		
Balance at the beginning of the year	24 080 897	1 359 073
Additions during the year	33 447 885	22 721 824
	57 528 782	24 080 897
Non-current liabilities	32 398 502	7 711 976
Current liabilities	25 130 280	16 368 921
	57 528 782	24 080 897
The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the entity has directly benefited; and		
Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.		
These amounts are invested in a ring-fenced investment until utilised.		
12. Trade and other payables		
Other payables	68 916	68 916
Accrued leave pay	999 595	651 895
Accrued bonus	788 400	-
Accrued expenses	611 826	1 109 189
Deposits received	42 615	-
Provisions	21 976 566	19 923 011
	24 487 918	21 753 011
13. Revenue		
Rendering of services - rates and refuse	2 718 001	2 192 374
Rental Income	287 246	305 786
Interest received	1 601 128	244 306
Licences and permits	1 612 829	1 243 548
Government grants	35 586 097	39 804 008
Motor vehicle licences	99 539	25 943
Miscellaneous other revenue	763 947	454 318
	42 668 787	44 270 283
14. Property Rates		
Rates received		
Residential	1 355 423	1 229 716
15. Service charges		
Refuse removal	1 362 578	962 658
16. Government grants and subsidies		
Urban Renewal Special Project	534 105	-
LED Grant	148 464	-
FMG Fund	558 652	223 560
Equitable share	28 407 475	29 615 056
Other Grants	4 387 991	9 961 702

Umzimkhulu Municipality

Financial Statements for the year ended 30 June 2008

Notes to the Financial Statements

	2008 R	2007 R
16. Government grants and subsidies (continued)		
Seta Grant	22 000	3 690
MSIG Fund	1 527 410	-
	35 586 097	39 804 008
<u>Equitable Share</u>		
In terms of the constitution, this grant is used to subsidize the provision of basic services to indigent community members		
FMG Fund		
Balance unspent at beginning of year	279 147	2 702
Current-year receipts	500 000	500 000
Conditions met - transferred to revenue	(558 652)	(223 560)
Interest Received	-	5
Conditions met - transferred to deferred income	(9 758)	-
	210 737	279 147
IDP Fund		
Balance unspent at beginning of year	146 529	184 568
Current-year receipts	250 000	-
Conditions met - transferred to revenue	(299 967)	(38 153)
Interest Received	-	114
	96 562	146 529
Survey Fund		
Balance unspent at beginning of year	727 088	720 011
Conditions met - transferred to revenue	(52 800)	(85 331)
Interest	47 000	92 408
	721 288	727 088
Sport Facility Grant Fund		
Balance unspent at beginning of year	2 243 355	8 118
Current-year receipts	-	2 400 000
Conditions met - transferred to revenue	(1 746 958)	(201 516)
Interest	137 426	2 267 777
	633 823	4 474 379
MIG Fund		
Balance unspent at beginning of year	2 267 777	2 796
Current-year receipts	17 797 650	7 892 406
Conditions met - transferred to revenue	(14 424 928)	(5 703 476)
Interest	209 290	76 051
	5 849 789	2 267 777
MSIG Fund		
Balance unspent at beginning of year	415 015	440 878
Current-year receipts	1 470 459	734 000
Conditions met - transferred to revenue	(1 527 410)	(783 219)
Interest	37 859	23 356

Umzimkhulu Municipality

Financial Statements for the year ended 30 June 2008

Notes to the Financial Statements

	2008 R	2007 R
16. Government grants and subsidies (continued)		
	395 923	415 015
DTLGA Council Chamber Grant		
Balance unspent at beginning of year	4 716 281	-
Current-year receipts	-	6 300 000
Conditions met - transferred to revenue	(4 419 413)	(1 677 934)
Interest Received	171 320	94 215
	468 188	4 716 281
MAP Grant		
Balance unspent at beginning of year	2 548 349	-
Current-year receipts	2 450 000	4 000 000
Conditions met - transferred to revenue	(1 453 715)	(1 472 072)
Interest	261 924	20 421
Conditions met transferred to deferred income	(129 670)	-
	3 676 888	2 548 349
Project Consolidate		
Balance unspent at beginning of year	1 125 381	-
Current-year receipts	-	1 100 000
Interest	100 609	25 381
	1 225 990	1 125 381
Technical Support Grant		
Balance unspent at beginning of year	500 000	-
Current-year receipts	-	500 000
Conditions met - transferred to revenue	(228 877)	-
Conditions met transferred to deferred income	(69 178)	-
	201 945	500 000
Urban Renewal - Special Projects		
Current-year receipts	13 100 000	-
Conditions met - transferred to revenue	(534 105)	-
Interest	377 030	-
Conditions met transferred to deferred Income	(3 855 764)	-
	9 087 161	-
Urban Renewal - Flats		
Current-year receipts	2 000 000	-
Conditions met - transferred to revenue	(781 372)	-
Interest	53 195	-
	1 271 823	-

Umzimkhulu Municipality

Financial Statements for the year ended 30 June 2008

Notes to the Financial Statements

	2008 R	2007 R
16. Government grants and subsidies (continued)		
Drought Relief		
Current-year receipts	23 861	-
Conditions met - transferred to revenue	(22 000)	-
	1 861	-
Seta Grant		
Balance unspent at beginning of year	1 400 000	1 400 000
Prior year correction	(111 699)	-
	1 288 301	1 400 000
17. General expenses		
Consulting and professional fees	254 385	421 750
Lease rentals on operating lease	570 007	235 430
Levies	468 992	191 819
Fuel and oil	-	11 202
Project maintenance costs	-	54 000
Training	-	45 960
General expenses	11 255 835	5 408 268
Expense	(39 265)	-
Grants and subsidies paid	6 079 269	3 383 658
Contributions	5 540 052	5 939 756
	24 129 275	15 691 843
Included in contributions is the bad debts provision.		
18. Operating surplus		
Operating surplus for the year is stated after accounting for the following:		
Operating lease charges		
Motor vehicles		
• Contractual amounts	9 540	30 306
Equipment		
• Contractual amounts	560 467	205 124
	570 007	235 430
Deficit on sale of property, plant and equipment	(75 049)	-
Depreciation on property, plant and equipment	2 363 974	1 677 676
Employee costs	20 532 171	17 993 141

Umzimkhulu Municipality

Financial Statements for the year ended 30 June 2008

Notes to the Financial Statements

	2008 R	2007 R
19. Employee related costs		
Basic	11 218 274	8 635 859
Bonus	788 400	171 525
Medical aid - company contributions	394 112	319 239
UIF	93 474	78 275
Other short term costs	3 318	2 561
Post-employment benefits - Pension - Defined contribution plan	1 088 774	791 148
Travel, motor car, accommodation, subsistence and other allowances	493 944	211 962
Overtime payments	14 792	188 672
Acting allowances	26 415	-
Housing benefits and allowances	627 990	557 647
	14 749 493	10 956 888
Remuneration of municipal manager		
Annual Remuneration	404 747	433 325
Travel Allowance	168 458	-
Performance Bonuses	108 000	-
Contributions to UIF, Medical and Pension Funds	81 975	-
Housing Allowance	20 126	-
	783 306	433 325
Remuneration of chief finance officer		
Annual Remuneration	294 234	80 989
Travel Allowance	122 598	-
Performance Bonuses	83 160	-
Contributions to UIF, Medical and Pension Funds	50 511	-
Housing Allowance	18 445	-
	568 948	80 989
Remuneration of the Manager : Traffic and Licensing		
Annual Remuneration	177 709	294 717
Travel Allowance	74 046	-
Performance Bonuses	83 160	22 145
Contributions to UIF, Medical and Pension Funds	28 129	-
Housing Allowance	8 886	-
Cell phone Allowance	8 886	-
	380 816	316 862
Corporate and human resources (corporate services)		
Annual Remuneration	295 571	121 482
Travel Allowance	123 148	-
Performance Bonuses	83 160	-
Contributions to UIF, Medical and Pension Funds	45 809	-
Housing Allowance	23 483	-
	571 171	121 482
Procurements and infrastructure (planning, transport and environmental affairs)		
Annual Remuneration	242 968	284 049
Travel Allowance	101 230	-

Umzimkhulu Municipality

Financial Statements for the year ended 30 June 2008

Notes to the Financial Statements

	2008 R	2007 R
19. Employee related costs (continued)		
Performance Bonuses	83 160	30 449
Contributions to UIF, Medical and Pension Funds	37 685	-
Housing Allowance	20 652	-
	485 695	314 498
Remuneration of Manager: Technical Services		
Annual Remuneration	298 243	242 968
Travel Allowance	74 561	-
Performance Bonuses	83 160	-
Contributions to UIF, Medical and Pension Funds	125 740	-
	581 704	242 968
20. Remuneration of councillors		
Executive Major	417 379	421 935
Deputy Executive Mayor	193 257	-
Majoral Committee Members	1 203 306	1 384 900
Speaker	330 910	339 593
Councillors	3 405 028	3 969 852
Councillors' pension contribution	-	586 236
Chief Whip	232 798	333 737
	5 782 678	7 036 253
In-kind benefits		
The Mayor, Speaker and three Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Mayor has use of a Council owned vehicle for official duties.		
21. Bad debts		
Bad debts written off	-	41 200
22. Depreciation and amortisation		
Property, plant and equipment	2 363 974	1 677 676
23. Finance costs		
Current borrowings	95 442	-
Capitalisation rates used during the period were -% on specific borrowings for capital projects and -% being the weighted average cost of funds borrowed generally by the municipality.		
24. Cash generated from operations		
(Deficit) surplus before taxation	(5 521 539)	7 822 656
Adjustments for:		
Depreciation and amortisation	2 363 974	1 677 676
Deficit on sale of assets	75 049	-
Interest received	(1 601 128)	(1 012 133)
Finance costs	95 442	-
Capital grants used to purchase PPE	-	(7 793 942)
Depreciation on deferred charges	-	81 967
Depreciation Government grants	889 038	889 038
Adjustment	9 335 971	-

Umzimkhulu Municipality

Financial Statements for the year ended 30 June 2008

Notes to the Financial Statements

	2008 R	2007 R
24. Cash generated from operations (continued)		
Changes in working capital:		
Trade and other receivables	1 658 504	(1 542 473)
Consumer debtors	556 950	4 891 403
Assets in construction	-	131 332
Trade and other payables	2 734 907	18 598 609
VAT	921 522	(2 190 706)
Provisions	-	(131 770)
Conditional grants and receipts	8 761 359	13 609 849
Asset adjustment	-	177 207
	20 270 049	35 208 713

25. Commitments

Authorised capital expenditure

Commitments in respect of capital expenditure - approved and contracted for:

• Infrastructure	48 485 715	9 259 338
Not yet contracted for and authorised	29 517 170	-

26. Contingencies

Contingent Asset

The municipality has instituted legal action against a municipal employee for the theft of funds approximating R598 999.

27. Prior period errors

The adjustments as indicated in Accumulated surplus in the Statement of Changes in Equity consist of the following errors that have been identified

Statement of financial position

Property, plant and equipment - Water and Sewage Assets	2 877 729	-
Property Plant and Equipment - unrecorded properties	8 542 420	-
Restatement of Drought Relief Balance	111 699	-
Correct of Lease Liability - Ford	9 183	-
Depreciation raised on assets not yet completed	37 032	-
Recognising costs 06/07 Clydesdale access road - completed in current year	803 824	-
Recognising costs 05/06 Council Chamber - completed in the current year	4 034 267	-
Total	<u>10 660 696</u>	<u>-</u>

Statement of financial performance

Recording of prior year depreciation on unrecorded properties	(1 324 718)	-
Total	<u>(1 324 718)</u>	<u>-</u>

Umzimkhulu Municipality

Financial Statements for the year ended 30 June 2008

Notes to the Financial Statements

	2008 R	2007 R
28. Unauthorised, irregular, fruitless and wasteful expenditure		
Fruitless and Wasteful expenditure		
Docket 13719	-	319
Docket 13871	-	105
Docket 13230	-	85
Docket 13582	-	74
Docket 13773	-	763
Docket 13885	-	523
Docket 14109	-	701
	-	2 570

No fruitless or wasteful expenditure was identified in the current year. The above expenditure relates to interest

29. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	57 371	-
Current year subscription / fee	81 858	57 371
Amount paid - current year	(139 229)	-
	-	57 371

Audit fees

Current year subscription / fee	659 791	697 627
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PAYE and UIF

Current year subscription / fee	2 640 842	2 064 740
Amount paid - current year	(2 651 410)	(2 064 740)
	(10 568)	-

Pension and Medical Aid Deductions

Current year subscription / fee	3 695 261	3 036 810
Amount paid - current year	(3 695 261)	(3 036 810)
	-	-

VAT

VAT receivable	3 387 889	4 309 411
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VAT output payables and VAT input receivables are shown in note .

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2008:-

30 June 2008	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Zulu	308	925	1 233

Umzimkhulu Municipality

Financial Statements for the year ended 30 June 2008

Notes to the Financial Statements

	2008 R	2007 R
29. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Councillor Phakathi	308	912
	616	1 529
		2 145

Appendix A

Umzimkhulu Municipality: Schedule of External Loans as at 30 June 2008

	Balance at 30 June 2007 R	Redeemed during the period R	Balance at 30 June 2008 R	Carrying value of Asset at 30 June 2008 R
LEASE LIABILITY				
Ford Territory 4.0L	327 158.16	93 473.76	233 684.40	142 694.41
TOTAL EXTERNAL LOANS	327 158.16	93 473.76	233 684.40	142 694.41

APPENDIX B

UMZIMKHULU MUNICIPALITY: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	COST			ACCUMULATED DEPRECIATION					Carrying Value
	Opening Balance 2007	Additions 2008	Prior year Adjustments	Closing Balance 2008	Opening Balance 2007	Depreciation 2008	Prior year adjustments	Closing Balance 2008	
	R	R	R	R	R	R	R	R	
Infrastructure	20 216 405	5 850 813	(3 488 412)	22 578 805	2 756 907	1 065 300	(643 118)	3 179 089	19 399 717
Community Assets	2 042 301	1 363 732		3 406 033	392 924	70 201	0	463 125	2 942 908
Other Assets									
Land & Buildings	3 272 925	8 453 680	8 542 420	20 269 025	837 962	303 765	1 320 121	2 461 848	17 807 176
Other Assets	7 544 527	2 761 868	(381 311)	9 925 084	4 343 397	924 708	(275 392)	4 992 713	4 932 371
Movable Assets	-	-	-	-	-	-	-	-	-
Total	33 076 158	18 430 093	4 672 696	56 178 947	8 331 190	2 363 974	401 611	11 096 775	45 082 172

APPENDIX C

UMZIMKHULU MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2008

	Cost				Accumulated Depreciation				Carrying value		
	Opening balance	Additions	Disposals	Prior year adjustment	Closing balance	Opening balance	Depreciation	Disposals		Prior year adjustment	Closing balance
	R	R	R		R	R	R	R		R	
Executive and Council	2 890 777	922 100	(20 577)	8 004 550	11 796 850	(604 073)	(458 927)		(1 310 445)	(2 373 445)	9 423 404
Finance & Admin	6 922 855	819 608	(250 915)	-	7 491 548	(2 620 974)	(544 893)		204 153	(2 961 714)	4 529 834
Planning & Development	20 490 045	16 626 117	(39 257)	(3 488 412)	33 588 492	(3 336 514)	(1 166 897)		683 950	(3 819 461)	29 769 031
Community and social services	1 602 237	62 269	(11 939)	-	1 652 567	(1 211 396)	(122 944)		7 387	(1 326 953)	325 613
Public Safety	1 170 245		(27 753)	507 000	1 649 492	(558 235)	(70 313)		13 345	(615 203)	1 034 289
Total	33 076 159	18 430 093	(350 441)	5 023 137	56 178 949	(8 331 192)	(2 363 974)	-	(401 611)	(11 096 777)	45 082 172

APPENDIX D

UMZIMKHULU MUNICIPALITY: SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

2007 Actual Revenue R	2007 Actual Expenses R	2007 Surplus/ (Deficit) R		2008 Actual Revenue R	2008 Actual Expenses R	2008 Surplus/ (Deficit) R
3 689	18 144 494	(18 140 805)	COUNCIL AND MUNICIPAL MANAGER	139 168	17 048 929	(16 909 761)
41 698 978	7 235 738	34 463 240	FINANCE AND ADMINISTRATION	34 155 550	13 147 686	21 007 864
311 330	6 730 421	(6 419 091)	PLANNING & INFRASTRUCTURE	3 802 657	13 038 644	(9 235 987)
986 795	2 849 038	(1 862 243)	COMMUNITY AND SOCIAL SERVICES	3 687 501	3 760 341	(72 840)
1 269 491	1 487 937	(218 446)	PUBLIC SAFETY (TRAFFIC)	1 712 367	2 023 182	(310 815)
44 270 283	36 447 628	7 822 655	TOTAL	43 497 243	49 018 782	-5 521 539

APPENDIX E(1)

UMZIMKHULU MUNICIPALITY: ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2008

	2008 Budget (R)	2008 Actual (R)	2008 Variance (R)	2008 Variance (%)
REVENUE				
PROPERTY RATES	2 672 526	1 355 423	1 317 103	49%
SERVICE CHARGES	144 000	1 362 578	(1 218 578)	-846%
RENTAL INCOME	248 948	287 246	(38 298)	-15%
LICENCES AND PERMITS	1 375 601	1 612 829	(237 228)	-17%
GOVERNMENT GRANTS	91 352 519	35 586 097	55 766 422	61%
MOTOR VEHICLE LICENCES	81 944	99 539	(17 595)	-21%
OTHER INCOME	9 171 341	1 592 403	7 578 938	83%
INTEREST ON INVESTMENTS	816 817	1 601 128	(784 311)	-96%
Total Revenue	105 863 696	43 497 243	62 366 453	59%

	2008 Budget (R)	2008 Actual (R)	2008 Variance (R)	2008 Variance (%)
EXPENSES				
PERSONNEL COSTS	(25 923 500)	(20 532 171)	(5 391 329)	21%
DEPRECIATION		(2 363 974)	2 363 974	-100%
BAD DEBTS			-	0%
REPAIRS AND MAINTENANCE	(503 931)	(1 822 871)	1 318 940	-262%
GRANTS EXPENDITURE				
GENERAL EXPENDITURE	(18 338 095)	(24 299 766)	5 961 671	-33%
TOTAL EXPENSES	(44 765 526)	(49 018 782)	4 253 256	-10%

NET SURPLUS /(DEFICIT) FOR THE **61 098 170** **(5 521 539)**

APPENDIX E(2)
 UMZIMKHULU MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2008

	2008		2008		2008	
	Actual	Total Additions	Budget	Variance	%	
Executive Council	922 100	R 922 100	50 000	872 100	1744%	
Finance & Admin	819 608	819 608	2 730 000	-1 910 392	-70%	
Planning & Development	16 626 117	16 626 117	62 738 170	-46 112 053	-73%	
Community & Social Services	62 269	62 269	2 130 000	-2 067 731	-97%	
Public Safety	-	-	50 000	-50 000	-100%	
Total	18 430 093	18 430 093	67 698 170	-49 268 077	-73%	

UMZIMKHULU MUNICIPALITY

ADDITIONAL DISCLOSURES IN THE ANNUAL FINANCIAL STATEMENTS

Preparation of Annual Financial Statements based on Exemption Gazette 30013 dated 29 June 2007 where applicable

Financial Reporting Standard	Extent of Exemption from Standard
Accounting Policies, changes in accounting estimates and errors GRAP 3	Identification and impact of GRAP standards that have been issued but are not yet effective and changes to accounting policies [paragraph 14,19 and 30-31]
Property, plant and equipment (GRAP 17)	Review of useful life of items of PPE recognised in the annual financial statements (paragraphs 59 - 61, and 77)
	Review of depreciation method applied to PPE recognised in the annual financial statements (paragraphs 62 and 77)
	Impairment of non - cash generating assets (paragraphs 64 - 69 and 75(e)(v) - (vi))
	Impairment of cash generating assets (paragraphs 63 and 75(e)(v) - (vii))
Impairment of assets (IAS 36/ AC128)	Entire Standard
Investment Property (IAS 40/ AC 135)	The entire standard to the extent that the property is accounted for in terms of GAMAP 17
	Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of the standard (paragraphs 79(e)(i)-(iii))
	Recognising operating lease payments/receipts on a straight line basis if the amounts are recognised on the basis of the cash flows in the lease agreement. [SAICA circular 12/06 paragraph 8-11 and paragraphs 33,34,50.51 of IAS 17/AC 105]
Leases (IAS 17/AC 105)	contribution plans and the defined benefit obligation disclosed by narrative information. (paragraphs 29, 48 - 119, 120(c) - (q)).
Employee Benefits (IAS 19/ AC 116)	Initial measurement of fair value discounting all future receipts using an imputed rate of interest. (SAICA circular 09/06 and paragraph 12)
Revenue (GAMAP 9)	Initially measuring financial assets and financial liabilities at fair value. (SAICA circular 09/06, paragraph 43, AG 79, AG 64 of IAS 39/ AC133).
Financial Instruments: Recognition and measurement (IAS 39/ AC133)	Entire Standard to be replaced by IAS 32 [AC 125] issued August 2006 and effective for the financial statements covering periods beginning on or after 1 January 1998
Financial Instruments: Disclosures IFRS 7/ AC 144	Entire standard excluding paragraph 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42-46 of GAMAP 9
Accounting for government grants and disclosure of government assistance IAS 20 / AC 134	